

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 1107

INFO AMCONSUL LENINGRAD

AMCONSUL MUNICH

USMISSION NATO

C O N F I D E N T I A L MOSCOW 8096

E.O. 11652: GDS

TAGS: ECON, UR

SUBJECT: COUNCIL OF MINISTERS MEETS TO DISCUSS DRAFT TENTH  
FIVE YEAR PLAN

REF: A) MOSCOW A-447 (11/18/74): B) MOSCOW 18984 (12/24/74).

1. CENTRAL PRESS JUNE 11 REPORTS MEETING OF COUNCIL OF MINISTERS (CM) HEL PREVIOUS DAY TO REVIEW DRAFT TENTH FIVE YEAR PLAN'S "MAIN DIRECTIONS". ACCORDING TO PRESS THOSE PARTICIPATING IN SESSION INCLUDED DEPUTY CM CHAIRMAN, CHAIRMEN OF REPUBLIC COUNCILS OF MINISTERS, MINISTERS, AND "OTHER MEMBERS" OF SOVIET GOVERNMENT. KOSYGIN PRESIDED AND DELIVERED SPEECH.

2. SESSION PROPOSED THAT IN THEIR CONTINUING WORK ON NEW FIVE YEAR PLAN MINISTRIES AND PLANNING ORGANS SHOULD PAY "PARTICULAR" ATTENTION TO:

-- ASSURING PROPER PROPORTIONS AND BALANCE FOR ECONOMY BASED  
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ON ACCELERATION OF R&D WORK, INTENSIFICATION OF PRODUCTION,

INCREASES IN LABOR PRODUCTIVITY, AND IMPROVEMENT IN QUALITY OF GOODS;

-- INCREASING EFFICIENCY IN UTILIZATION OF CAPITAL INVESTMENTS, CHIEFLY THROUGH SHIFT IN EMPHASIS AWAY FROM NEW CONSTRUCTION TO RE-EQUIPPING OF EXISTING PRODUCTION CAPACITIES AND EXPANSION OF PRESENT FACTORIES;

-- FURTHER STRENGTHENING OF "MATERIAL-TECHNICAL" BASE OF AGRICULTURE TO ACHIEVE INCREASED AGRICULTURAL OUTPUT;

-- INCREASING QUANTITY AND QUALITY OF CONSUMER GOODS AND EXPANDING SERVICE SECTOR;

-- ASSURING REQUIREMENTS OF ECONOMY FOR EQUIPMENT, PARTICULARLY IN METALLURGICAL, CHEMICAL, AND ELECTRO-TECHNICAL INDUSTRIES (TO BE ACHIEVED THROUGH PRODUCTION INCREASES AND BY UNCOVERING ADDITIONAL RESERVES OF METAL THROUGH "STRICTEST REGIME" ON USE OF METAL IN INDUSTRY AND CONSTRUCTION);

-- "MORE ADEQUATELY PROVIDING" ECONOMY WITH FUEL THROUGH "POSSIBLE INCREASES" IN PRODUCTION AND "AAL-ENCOMPASSING ECONOMIZING" IN UTILIZATION OF FUEL/ENERGY RESOURCES.

3. GUIDED BY DECISIONS OF POLITBURO AND "INSTRUCTIONS" (UKAZANIYA) OF L.I. BREZHNEV REGARDING THE "KEY QUESTIONS" OF SOVIET UNION'S SOCIAL-ECONOMIC DEVELOPMENT, COUNCIL OF MINISTERS, ACCORDING TO PRESS REPORT, MUST NOW REVIEW ALL DRAFT FIVE YEAR PLANS OF REPUBLICS AND INDUSTRIAL MINISTRIES, TAKING INTO ACCOUNT OBSERVATIONS AND SUGGESTIONS TABLED DURING PRESENT MEETING, IN ORDER TO FINALIZE OVERALL TENTH FIVE YEAR PLAN.

4. COMMENT: THOSE ITEMS REQUIRING "PARTICULAR ATTENTION" IN BUTTONING UP TENTH FIVE YEAR PLAN CORRESPOND ALMOST POINT-BY-POINT TO THE PROBLEM AREAS APPARENTLY AIRED BY BREZHNEV IN HIS SPEECH AT LAST DECEMBER'S CENTRAL COMMITTEE PLENUM (SEE REF B). THIS FACT, COMBINED WITH LATEST PRESS REPORT THAT COUNCIL OF MINISTERS SHOULD BE GUIDED BY "INSTRUCTIONS" OF BREZHNEV, POINTS AGAIN TO HIS PERSONAL ASSOCIATION (PERHAPS AS A LEGACY) IN TRYING TO RATIONALIZE AND RENDER MORE EFFICIENT THE UNWIELDY  
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ECONOMIC MECHANISM.

5. IN PARTICULAR, ENERGY APPEARS TO REMAIN A THORN IN SIDE OF SOVIET PLANNERS AND POLITICIANS. ACCORDING TO IMEMO HEAD INOZEMTSEV (PARA 3. REF B) "HEATED" DISCUSSIONS REVOLVED AT LEAST IN PART AROUND THIS ISSUE AT DECEMBER PLENUM. PRAVDA LEADER JUNE 11. ENTITLED "TO IMPROVE QUALITATIVE INDEXES", APPEARING-NOT COINCIDENTALLY-SAME DAY AS REPORT ON COUNCIL OF

MINISTERS SESSION, NOTES WASTEFUL CONSUMPTION OF FUEL AND ELECTRICITY, PARTICULARLY BY FACTORIES OF MINISTRY OF CONSTRUCTION MATERIALS INDUSTRY. ARTICLE ALLEGES THAT FOR USSR AS WHOLE ANNUAL WASTE THROUGH OVER-CONSUMPTION OF FUELS AND ENERGY AMOUNTS TO EQUIVALENT OF TWO MILLION TONS OF FUEL AND AROUND 1.5 BILLION KILOWATT HOURS OF ENERGY.

6. THROUGH 1974 DOMESTIC OUTPUT OF OIL, GAS, AND ELECTRICITY ARE ALL WELL BELOW TARGETS SET WITHIN NINTH FIVE YEAR PLAN. AT SAME TIME, SOVIET CRUDE OIL IMPORTS IN 1974 WERE DRASTICALLY REDUCED (FROM 13.2 MILLION TONS TO 4.4 MILLION TONS ) -- PRE-SUMABLY DUE TO PRICE RISES - WHILE SOVIET EXPORTS OF CRUDE DIMINISHED BY ONLY 4.7 MILLION TONS FROM 85.3 TO 80.6 MILLION TONS). THUS, SHORTFALL IN PETROLEUM AVAILABLE TO SOVIET ECONOMY THROUGH FOREIGN TRADE ALONE AMOUNTED TO OVER FOUR MILLION TONS. DOMESTIC DEMAND, HOWEVER, CONTINUES TO RISE. SOMETHING HAS TO GIVE. HENCE THE PARTY (AND COUNCIL OF MINISTERS) CONCERN OVER ENERGY.

7. THE TENTH FIVE YEAR PLAN IS CLEARLY WHAT WAS DISCUSSED, BUT THE PRESS ACCOUNTS STRANGELY AVOIDED USING THIS TERM. INSTEAD, THE CLUMSY PHRASE "THE DRAFT OF THE BASIC DIRECTIONS OF THE DEVELOPMENT OF THE NATIONAL ECONOMY OF THE USSR FOR 1976-1980" WAS USED THROUGHOUT. THE REASON FOR THIS CIRCUMLOCUTION IS NOT CLEAR TO EMBASSY AT PRESENT.

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